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FOR NEA/ARP

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TAGS: ECON PGOV YM

SUBJECT: TAXES, FEES AND RED TAPE -- BUSINESSMEN COMPLAIN
ABOUT DOING BUSINESS IN ADEN

Classified By: Ambassador Stephen A. Seche for reasons 1.4 (b) and (d)

Summary

¶1. (C) During an early March visit to the southern port city of Aden, the Ambassador found business contacts unhappy about non-transparent fees and taxes, bureaucratic red tape and difficulties in acquiring land. The Governor expressed a desire to encourage increased investment, but offered no real plan to do so. End Summary.

The Cost of Doing Business

¶2. (C) On a March 9-11 visit to the southern port city of Aden, the Ambassador met with business contacts, government officials and civil-society figures. Business contacts cited elevated and inconsistent taxes and fees as major impediments to doing business in the South. Adel Aqeel, General Manager of Musallam Trading Est., told POL/E Chief that he had to abandon a venture to import and resell automobiles when he discovered that the capricious nature of "import fees" (which often varied by as much as 1000 percent from day to day) made it impossible for him to anticipate his costs. Abubakr Salem Ba-Obeid, General Manager of Eimar for Ready Mix Concrete and Contracting Ltd., also complained that varying fees made predicting costs impossible.

¶3. (C) Even when fees are stable, interlocutors complained that they were much higher than in the North. Basha Bashraheel, General Manager of the independent daily Al-Ayyam, complained that "taxes and fees are double to triple what they are in the north. Electricity is one third more; telephone service is twice as much." He added that "even fish costs more in the South than in the North." He said that a representative for Dell computers had complained to him that everyone he met seemed to be asking for money and estimated that the required licenses to market his computers in Aden cost three to four times what they had cost him in Sana'a. Bashraheel added that import fees in the port of Aden were so high that, when a shipment was accidentally off-loaded in Hodeidah, it turned out to be less expensive to transport it overland to Aden.

Bound by Red Tape

¶4. (C) Bureaucratic delays also frustrate businessmen. Abdulla Salem Al-Rammah, vice chairman for Trade Affairs, complained to the Ambassador about the length of time it takes to start a business in the South, asserting that it now takes more than one year. Bashraheel complained that when he recently attempted to get a load of 15 containers of newsprint through customs it took him a week and he was swamped by additional fees. At the same time, a northerner

of his acquaintance got a similar size shipment through customs on the day it arrived and paid nothing.

For Want of a Few Acres

¶ 15. (C) Advantageous treatment given to northerners was also an irritant to other businessmen in Aden, particularly in the area of land acquisition. Ahmed Saeed Shukri, Deputy Manager of the Al-Sahl Group for Trade and Engineering and a transplanted northerner himself, told POL/E Chief that, while southerners face great difficulties and long delays in acquiring land, northerners can acquire it by "simply putting their hands on it." Bashraheel joked that Aden was the only Governorate in Yemen that had President Saleh as a land commissioner. When asked what he meant, he responded that at one point he overheard a land office employee tell a customer that to get land you needed a letter from Saleh. He speculated the employee was jokingly referring to the high volume of presidential land grants crossing his desk. Hisham Bashraheel, Basha's uncle and Editor-in-Chief of Al-Ayyam, told the Ambassador that there were southerners who had been waiting for land since the socialist era. Basha Bashraheel opined that the ROYG wants to give as much land in the south as possible to northerners in hopes that this will inspire the new owners of the land to fight to defend it. Even if the land in question is for personal rather than business use, difficulties in obtaining it irritate investors. Aqeel told POL/E Chief that in spite of the success of his business he continues to live in an apartment because acquiring land for a house is too difficult.

The Fish Rots From the Head

¶ 16. (C) While most interlocutors settled for voicing complaints that merely hinted at corruption, Afra'a al-Hariri, head of an Adeni women's shelter, explicitly complained of it. When asked if she thought this corruption extended as high as Governor Ahmed al-Kohlani, she laughed and said, "of course." Basha Bashraheel minced no words on the issue, calling al-Kohlani simply "the worst Governor ever and the most corrupt."

I'm From the Government and I'm Here to Help

¶ 17. (C) Al-Kohlani asserted to the Ambassador that he was focused on improving the business environment in his Governorate. He, however, came at the problem from a different angle than the businessmen. "Our largest concern," he told the Ambassador, "is infrastructure. We want to work to renovate schools and roads." While he did not mention improving access to electricity, at least two of the businessmen POL/E Chief spoke to on the trip highlighted inconsistent or unavailable electricity as a barrier to doing business.

¶ 18. (C) The Governor also emphasized his desire to encourage foreign investment but did not specify steps his government would take to do so. Deputy Governor Abdul Karim Shaif raised unfavorable media coverage as a barrier to investment. Referring to coverage of violence in the country, he said, "the free press does not stop at any bounds. When the investor sees (reports of demonstrations and unrest) he becomes hesitant."

Comment

¶ 19. (C) If the Governor is serious about encouraging investment, the only way to achieve his stated goal of returning the city to its former stature as a prominent seaport, he might wish to redirect his efforts towards increased transparency and consistency with respect to fees and taxes, reduced costs for needed services and less

bureaucratic interference, rather than complaining about
journalists or building a few roads. End Comment.
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